



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

*Department of Justice*  
*For the Two Fiscal Years Ended*  
*June 30, 2018*

MAY 2019

LEGISLATIVE AUDIT  
DIVISION

## **LEGISLATIVE AUDIT COMMITTEE**

### **REPRESENTATIVES**

KIM ABBOTT

[Kim.Abbott@mtleg.gov](mailto:Kim.Abbott@mtleg.gov)

DAN BARTEL

[Danbartel2@gmail.com](mailto:Danbartel2@gmail.com)

TOM BURNETT, VICE CHAIR

[Burnett.tom@gmail.com](mailto:Burnett.tom@gmail.com)

DENISE HAYMAN

[Denise.Hayman@mtleg.gov](mailto:Denise.Hayman@mtleg.gov)

EMMA KERR-CARPENTER

[KC@mtleg.gov](mailto:KC@mtleg.gov)

MATT REGIER

[Matt.Regier@mtleg.gov](mailto:Matt.Regier@mtleg.gov)

### **SENATORS**

DEE BROWN

[senatordee@yahoo.com](mailto:senatordee@yahoo.com)

JASON ELLSWORTH

[Jason.Ellsworth@mtleg.gov](mailto:Jason.Ellsworth@mtleg.gov)

JOHN ESP

[Johnesp2001@yahoo.com](mailto:Johnesp2001@yahoo.com)

PAT FLOWERS

[Pat.Flowers@mtleg.gov](mailto:Pat.Flowers@mtleg.gov)

TOM JACOBSON

[Tom.Jacobson@mtleg.gov](mailto:Tom.Jacobson@mtleg.gov)

MARY McNALLY, CHAIR

[McNally4MTLeg@gmail.com](mailto:McNally4MTLeg@gmail.com)

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§5-13-202(2), MCA

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(IN HELENA)

444-4446

LADHotline@mt.gov.

## **FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2017, was issued March 23, 2018. The Single Audit Report for the two fiscal years ended June 30, 2019, will be issued by March 31, 2020.

### **AUDIT STAFF**

JEANE CARSTENSEN-GARRETT

NATALIE H. GIBSON

JOSHUA PHILLIPS

BRANDON REESE

JOHN FINE

HUNTER MCCLURE

NOLAN PREESHL

GLENDA G. WALDBURGER

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## LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
Joe Murray

May 2019

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Justice for the two fiscal years ended June 30, 2018. The financial schedules and related notes, beginning on page A-3, report revenues, expenditures, and changes in fund equity for the department for each of the two years. In our Independent Auditor's Report on page A-1, we issued unmodified opinions on each of the six financial schedules. An unmodified opinion means the reader may rely upon the information presented.

This report also includes a recommendation to comply with cash balance limitations for state special revenue fund accounts funded by charges for services and a disclosure issue concerning transfers from the consumer education special revenue fund account to the general fund.

The department's written response to the audit recommendation is included in the audit report on page C-1. We thank the Attorney General and his staff for their cooperation throughout the audit.

Respectfully submitted,

*/s/ Angus Maciver*

Angus Maciver  
Legislative Auditor



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## ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

**Department of Justice** Tim Fox, Attorney General

Mike Milburn, Chief of Staff

Division Administrators

Liz Bangerter, Central Services

Butch Huseby, Information Technology Services

Scott Larsen, Forensic Sciences

Colonel Tom Butler, Highway Patrol

Bryan Lockerby, Criminal Investigation

Sarah Garcia, Motor Vehicle

Angela Nunn, Gambling Control

Jon Bennion, Legal Services

For additional information concerning the Department of Justice, contact:

Liz Bangerter, Central Services Division Administrator  
P.O. Box 201404  
Helena, MT 59620-1404  
(406) 444-5842

e-mail: LBangerter@mt.gov

# MONTANA LEGISLATIVE AUDIT DIVISION

## FINANCIAL-COMPLIANCE AUDIT

### Department of Justice

For the Two Fiscal Years Ended June 30, 2018

MAY 2019

18-18

REPORT SUMMARY

The Department of Justice, under the direction of the Attorney General, has responsibilities that include statewide legal services and counsel, law enforcement, motor vehicles, and public safety. This report contains a recommendation concerning cash balance limitations for a state special revenue account funded solely by charges for services.

### Context

The Department of Justice (department) conducts its operations in the following eight divisions: Legal Services, Gambling Control, Motor Vehicle, Montana Highway Patrol, Criminal Investigations, Central Services, Information Technology, and Forensic Sciences.

Department revenue includes motor vehicle licenses and permits and gambling taxes, both major general fund revenue sources. Personal services costs and operating expenses comprise much of the department's expenditures. We focused our audit effort on these activities.

Department of Justice Revenues		
	FY2017	FY2018
Motor Vehicle	\$113 million	\$114 million
Gambling Control	\$60 million	\$60 million
Motor Vehicle Gambling Control General Fund Revenues	\$173 million	\$174 million
<b>Department Total Revenue</b>	<b>\$252 million</b>	<b>\$247 million</b>

The table above shows the Motor Vehicle and Gambling Control Divisions' general fund revenue collections in fiscal years 2017 and 2018, and the department's total revenue for each of the two fiscal years, as shown on the

department's Schedules of Total Revenues & Transfers-In.

The Motor Vehicle and Gambling Control revenue comprise 77 percent and 83 percent, respectively, for fiscal years 2017 and 2018 of total revenue and transfers-in.

The department contributed revenue support to the state's general fund in excess of its general fund expenditures of \$143.2 million and \$139.7 million in fiscal years 2018 and 2017, respectively.

Expenditures for the department total \$145 million and \$141 million, respectively, in fiscal years 2017 and 2018 as shown on the department's Schedule of Total Expenditures & Transfer-Out. See the table below for more details on the primary types of expenditures.

Select Expenditures and Classes		
	FY2017	FY2018
Personal Services- All Divisions	\$68 million	\$66 million
Legal Services Division- Other Services	\$21 million	\$10 million
Motor Vehicle Division- Other Services	\$8 million	\$6 million
<b>Sub-total</b>	<b>\$97 million</b>	<b>\$82 million</b>

(continued on back)

The majority of the Legal Services Operating Expenditures relate to the Natural Resource Damage Program contracts for restoration work required by settlement agreements. The majority of the Motor Vehicle Division Other Services expenditures relate to contracts for services for their information system. These expenditures comprise approximately 66 percent of the total expenditures and transfers-out for both fiscal years.

## Results

This audit report includes one recommendation to the department concerning compliance with cash balance limitations in its cigarette fire safety special revenue account. It also includes a disclosure related to transfer of amounts received from settlement agreements in excess of that needed to cover costs of its consumer protection activities.

We determined the department implemented recommendations from the prior audit related to limiting access to its motor vehicle information system and to seeking legislation to clarify state laws regarding funding of state employer contributions to the Highway Patrol Retirement fund.

Recommendation Concurrence	
Concur	0
Partially Concur	1
Do Not Concur	0

**Source:** Agency audit response included in final report.

# Chapter I – Introduction

## Introduction

We performed a financial-compliance audit of the Department of Justice (department) for the two fiscal years ended June 30, 2018. The objectives of the audit were:

1. To determine whether the department's financial schedules present fairly the results of operations and changes in fund equity and property held in trust for the department for each of the fiscal years ended June 30, 2018, and June 30, 2017.
2. To obtain an understanding of the department's control systems to the extent necessary to support our audit of the department's financial schedules and, if appropriate, make recommendations for improvement in the management and internal controls of the department.
3. To determine whether the department complied with selected state and federal laws and regulations.
4. To determine the implementation status of prior audit recommendations.

The significant sources of revenue for the department include motor vehicle licenses and permits and tax revenue from gambling operations, both major sources of general fund revenue. Personal services costs and operating expenditures comprise the bulk of the expenditures. Our audit effort focused on auditing these activities. Audit procedures included control testing, testing transactions processed on the state accounting system, sampling, and analytical procedures. We also tested compliance with provisions of selected laws governing the operations of the department.

The department records the activity of its Agency Legal Services Bureau (ALS) in the Internal Service Fund. ALS provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. We found that fund equity was reasonable at both June 30, 2017, and June 30, 2018, and fees and charges were reasonable for fiscal years 2017 and 2018. Section 17-8-101(6), MCA, requires that we report on the reasonableness of fees and charges and on fund activity for Internal Service Fund operations as part of our audit.

The 2017 Legislature transferred the activity of the Board of Crime Control (board) to the Department of Corrections in fiscal year 2018. In 2017 and prior years, the board was administratively attached to the department and its financial activity was presented in the department's financial schedules.

## **Background**

The Attorney General, who is elected to serve a four-year term, heads the department. The department's primary functions include providing effective statewide law enforcement, furnishing legal services on behalf of the state, and improving public safety. The department had 784.41 authorized full-time equivalent (FTE) employees in fiscal year 2018.

## **Department Divisions**

**Legal Services** (63.50 FTE) provides legal research and analysis for the Attorney General; legal counsel for state government and state officials, bureaus, and boards; legal assistance to local governments; legal assistance, training, and support for county prosecutors; assistance through the offices of Consumer Protection and Victim Services Bureau; and legal advice and support for all state agencies through the Agency Legal Services Bureau.

The Natural Resource Damage Program administered by Legal Services, prepares natural resource damage assessments and lawsuits to recover damages to natural resources caused by releases of hazardous substances and develops and implements restoration plans that guide the expenditures of settlement proceeds on restoration projects.

**Gambling Control** (45.99 FTE) licenses and regulates gambling activities and enforces gambling laws in the state of Montana. The division collects license fees, gambling taxes, and investigates applications and complaints relating to alcoholic beverage licensing.

**Motor Vehicle** (152.25 FTE) licenses individual and commercial drivers, administers all driver license records, and issues motor vehicle registrations and titles. The Motor Vehicle Division includes the Title and Registration Bureau and driver licensing offices located statewide.

**Montana Highway Patrol** (305.09 FTE) enforces commercial vehicle regulations and general traffic laws, investigates accidents and auto thefts, inspects vehicles, provides motorist assistance, and administers a drug interdiction program with a K-9 unit.

**Criminal Investigation** (104.99 FTE) includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, the Children's Justice Center, and the Law Enforcement Academy Bureau. The division maintains Montana's Sexual or

Violent Offender Registry, the state reporting of criminal records and fingerprint information, and Montana's Criminal Justice Information Network.

**Central Services** (18.49 FTE) provides centralized accounting, administrative, budgetary, human resources, payroll, and fiscal support for the department.

**Information Technology Service** (36.80 FTE) provides a full range of services for the department and the criminal justice community. The division maintains several statewide criminal justice systems, including the state criminal history records system and the state criminal justice information network, that link law enforcement agencies in Montana with various state, regional, and national criminal justice databases. It also maintains several noncriminal justice computer systems, including the Montana Enhanced Registration and Licensing Information Network and the Driver Control System.

**Forensic Services** (40.30 FTE) performs scientific analyses of evidence submitted by law enforcement officials, coroners, and state agencies. The division promotes forensic science training, scientific criminal investigations, and manages a statewide system of death investigations.

**The Public Safety Officer Standards and Training Council** (3.00 FTE) is composed of 13 members appointed by the Governor. The council's expenditure activity is included in the department's financial schedules on pages A-7 and A-8 in the Post Council Program. The council is responsible for establishing basic and advanced qualification and training standards for employment of Montana's public safety officers. The council hires its own personnel and independently administers the conduct of its business.

**Justice System Support Service Program** presents the expenditure activity of the administratively attached Montana Board of Crime Control in fiscal year 2017, as shown on page A-8. As described on page 1, the legislature transferred this activity to the Department of Corrections for fiscal year 2018, so Justice had no FTE for this function in fiscal year 2018.

### **Prior Audit Recommendations**

Our office performed the department's financial-compliance audit for the two fiscal years ended June 30, 2016. This report included two recommendations to the department. We recommended the department update and implement access controls to limit access to its motor vehicle information system to those with business needs.

We also recommended the department seek legislation to clarify state laws regarding funding of Highway Patrol state employer retirement contributions. The department implemented both recommendations.

## Chapter II – Findings and Recommendations

### Charges for Services Fund

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**The cash balance of the cigarette fire safety account administered by the Department of Justice exceeds the legal limit for an activity financed solely by charges for services.**

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Section 17-2-302(1), MCA, requires a state agency that deposits money into a state charge for services fund to maintain a cash balance in the fund of less than twice the annual appropriation. We reviewed all state special revenue accounts, identified those with only charges for services revenue, and checked whether those funds met the limitations in statute. We found one fund that did not meet cash balance limitations.

State law establishes a certification requirement for cigarettes. The certification requires manufacturers to submit specific descriptive information on each product it sells in Montana over three years. This process also includes a test of flammability of cigarettes to determine whether they meet fire safety standards.

In connection with certification and fire safety testing, state law establishes a cigarette fire safety account in the state special revenue fund to be used to offset the actual costs of the processing, testing, enforcement, and oversight activities to reduce the fire safety hazard of cigarettes. The law caps the charge for testing to \$250 for each cigarette listed in a certification. Actual annual revenue can vary with the number of cigarette products certified as well as the charge set by the department.

At fiscal year-end 2017, the fund had a \$205,529 cash balance, and two times the appropriations for the fiscal year totaled \$20,512. At fiscal year-end 2018, the fund had \$244,611 in cash, and two times the appropriations for the fiscal year totaled \$210,712. As a result, the fund does not comply with the cash balance limitations for a charges-for-services fund. In addition, expenditures of \$65 and \$18,773 in fiscal years 2017 and 2018, respectively, have little correlation to the appropriation amounts for either fiscal year. The department did not reduce its service charge rates to address the excess cash balances as required by §17-2-303, MCA.

**RECOMMENDATION #1**

*We recommend the Department of Justice reduce the charge for services until the cash balance in the cigarette fire safety account complies with the limitation in state law.*

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## Disclosure Issue

### **Consumer Protection Settlement Transfers**

State law requires the department to deposit all civil fines, costs, and fees received or recovered in consumer protection actions in a state special revenue account. The law directs that any amounts in excess of the department's costs in discharging its administrative and regulatory powers and duties in relation to consumer protection statutes must be transferred to the general fund. The law does not specify how the necessary amount to discharge the department's powers is to be determined or when the excess is to be transferred.

In a memorandum issued in July 2017, the attorney general, in his role as administrator of the department, designated \$5,144,194 as the amount that should be held to discharge the department's duties. The amount equals twice the 2017 biennium budget of the state special revenue fund account established to administer department activity related to consumer protection and unfair trade practices. The amount provides stable financial support over two biennia, reflecting the commitment in law to consumer protection as well as the fact that large recoveries are not attained consistently in each fiscal year.

As described in Note 6 of the financial schedules on page A-13, the department received several settlements in fiscal year 2017 related to consumer protection litigation. The legislature appropriated \$10,600,000 in transfers in fiscal year 2018 which substantially covered the excess above the amount designated in the department's memorandum. At June 30, 2018, the department had a balance of \$6,335,984. With an annual measurement of excess, the department would be required to transfer \$1,191,790 as excess of the limit needed for department actions to the general fund. However, since statute does not provide a method for determining what constitutes excess fund equity or set a date for measuring the excess, if any, we make no recommendation on this matter. The 2019 Legislature considered clarification of excess calculation and measurement date in HB262.



# **Independent Auditor's Report and Department Financial Schedules**



## LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor  
 Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
 Cindy Jorgenson  
 Joe Murray

### INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
 of the Montana State Legislature:

#### *Introduction*

We have audited the accompanying Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Justice for each of the fiscal years ended June 30, 2018, and 2017, and the related notes to the financial schedules.

#### *Management's Responsibility for the Financial Schedules*

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the department's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial schedules are prepared from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, deferred outflows of resources, liabilities, deferred inflows of resources and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinions on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the department as of June 30, 2018, and June 30, 2017, or changes in financial position or cash flows for the years then ended.

***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out, present fairly, in all material respects, the results of operations and changes in fund equity and property held in trust of the Department of Justice for each of the fiscal years ended June 30, 2018, and 2017, in conformity with the basis of accounting described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

March 29, 2019

DEPARTMENT OF JUSTICE  
SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund
<u>FUND/EQUITY: July 1, 2017</u>	\$ 22,561,093	\$ 270,944,962	\$ 586,725	\$ 615,147	\$ 123,003	\$ (462,769)	\$ 0
<u>PROPERTY HELD IN TRUST: July 1, 2017</u>							0
<b>ADDITIONS</b>							
Budgeted Revenues & Transfers-In	181,883,751	57,272,502	5,584,963		681,056	1,650,052	(58,770)
Nonbudgeted Revenues & Transfers-In	565	5,751,816	7,494		5,406	5,653	
Prior Year Revenues & Transfers-In Adjustments	20,105	92,677	(12,931)		(606)		58,770
Direct Entries to Fund Equity	(143,197,926)	15,725,910			1,098,368	164,551	
Additions to Property Held in Trust							13,393,705
Total Additions	<u>38,706,495</u>	<u>78,842,905</u>	<u>5,579,527</u>	<u>52</u>	<u>1,784,226</u>	<u>1,820,255</u>	<u>13,393,705</u>
<b>REDUCTIONS</b>							
Budgeted Expenditures & Transfers-Out	35,648,094	63,174,510	5,528,136		1,633,997	1,711,702	
Nonbudgeted Expenditures & Transfers-Out	(22,011)	32,485,627			143,291	84,757	
Prior Year Expenditures & Transfers-Out Adjustments	(35,631)	(57,734)	1,084				
Reductions in Property Held in Trust							
Total Reductions	<u>35,590,461</u>	<u>95,602,403</u>	<u>5,529,221</u>	<u>649,415</u>	<u>1,777,288</u>	<u>1,796,458</u>	<u>13,392,085</u>
<u>FUND/EQUITY: June 30, 2018</u>	<u>\$ 25,677,127</u>	<u>\$ 254,185,464</u>	<u>\$ 637,031</u>	<u>\$ (34,216)</u>	<u>\$ 129,941</u>	<u>\$ (438,972)</u>	<u>\$ 0</u>
<u>PROPERTY HELD IN TRUST: June 30, 2018</u>							1,620

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without an adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

**DEPARTMENT OF JUSTICE  
COMBINED SCHEDULE OF CHANGES IN FUND EQUITY & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FUND EQUITY: July 1, 2016 PROPERTY HELD IN TRUST: July 1, 2016	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund
	\$ 22,978,880	\$ 275,185,060	\$ 414,699	\$ 393,337	\$ (18,202)	\$ (386,536)	\$ 0
<b>ADDITIONS</b>							
Budgeted Revenues & Transfers-In	181,715,169	55,385,323	11,821,492	660,197	1,471,037	(733,096)	
Nonbudgeted Revenues & Transfers-In	4,975	12,730,788	423	4,724	5,061		
Prior Year Revenues & Transfers-In Adjustments	206,684	92,091	(9,344)	54		733,096	
Direct Entries to Fund Equity	(139,675,593)	12,945,543		15,722	1,217,332		
Additions to Property Held in Trust						11,123,824	
Total Additions	<u>42,251,234</u>	<u>81,153,745</u>	<u>11,812,571</u>	<u>815,722</u>	<u>1,982,307</u>	<u>1,476,098</u>	<u>11,123,824</u>
<b>REDUCTIONS</b>							
Budgeted Expenditures & Transfers-Out	42,941,809	61,622,254	11,624,983	593,912	1,681,786	1,554,001	
Nonbudgeted Expenditures & Transfers-Out	(22,869)	23,760,282	(21,477)	15,562	59,317	(1,671)	
Prior Year Expenditures & Transfers-Out Adjustments	(46,480)						
Reductions in Property Held in Trust						11,123,824	
Total Reductions	<u>42,872,461</u>	<u>85,361,059</u>	<u>11,640,545</u>	<u>593,912</u>	<u>1,741,102</u>	<u>1,552,331</u>	<u>11,123,824</u>
FUND EQUITY: June 30, 2017 PROPERTY HELD IN TRUST: June 30, 2017	<u>\$ 22,357,654</u>	<u>\$ 270,977,746</u>	<u>\$ 586,725</u>	<u>\$ 615,147</u>	<u>\$ 123,003</u>	<u>\$ (462,769)</u>	<u>\$ 0</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

**DEPARTMENT OF JUSTICE**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Total
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>							
Licenses and Permits	\$ 113,734,884	\$ 41,736,332		\$ 629,553			\$ 156,100,769
Taxes	60,324,163	4,289,081	\$ 4,683				64,617,927
Charges for Services	4,539,418	8,927,538	25,640	49,604	\$ 1,650,052		15,192,251
Investment Earnings		1,306,218	2,975				1,309,193
Fines and Forfeits	51,761	51,976					103,737
Monetary Settlements	2,810,377	1,956,243					4,766,620
Sale of Documents, Merchandise and Property	308,175	11,801		2,332			322,309
Rentals, Leases and Royalties		10,600					10,600
Grants, Contracts, and Donations		59,735		4,369		5,653	69,757
Transfers-in	4,203	3,938,066	3,853,395				7,795,663
Capital Asset Sale Proceeds	347	55,662	2,800				58,809
Inception of Lease/Installment Contract		280,260					280,260
Federal Indirect Cost Recoveries	127,543						127,543
Miscellaneous	3,551	457,057					460,608
Federal		36,424	1,690,034				1,726,458
<b>Total Revenues &amp; Transfers-In</b>	<b>181,904,421</b>	<b>63,116,995</b>	<b>5,579,527</b>	<b>685,857</b>	<b>1,655,705</b>	<b>0</b>	<b>252,942,505</b>
Less: Nonbudgeted Revenues & Transfers-In	565	5,751,816	7,494	5,406	5,653		5,770,935
Prior Year Revenues & Transfers-In Adjustments	20,105	92,677	(12,931)	(606)		\$ 58,770	158,016
<b>Actual Budgeted Revenues &amp; Transfers-In</b>	<b>181,883,751</b>	<b>57,272,502</b>	<b>5,584,963</b>	<b>681,056</b>	<b>1,650,052</b>	<b>(58,770)</b>	<b>247,013,554</b>
<b>Estimated Revenues &amp; Transfers-In</b>	<b>181,883,751</b>	<b>57,272,502</b>	<b>5,572,055</b>	<b>681,056</b>	<b>1,650,052</b>	<b>(58,770)</b>	<b>247,000,646</b>
<b>Budgeted Revenues &amp; Transfers-In Over (Under) Estimated</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,908</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,908</b>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>							
Transfers-in			\$ 12,908				\$ 12,908
<b>Budgeted Revenues &amp; Transfers-In Over (Under) Estimated</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,908</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,908</b>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.

Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF JUSTICE  
COMBINED SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Total
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>								
Licenses and Permits	\$ 113,032,080	\$ 30,986,924			\$ 607,935			\$ 144,626,940
Taxes	59,955,851	4,249,852	\$ 5,159					64,210,861
Charges for Services	5,145,397	6,205,729	17,458		50,763	\$ 1,471,072		12,890,418
Investment Earnings		1,897,260	8,298					1,905,557
Fines and Forfeits	31,135	236,616						267,751
Monetary Settlements	3,343,133	22,956,351						26,299,484
Sale of Documents, Merchandise and Property	345,676	18,765			2,297			366,738
Rentals, Leases and Royalties		10,600						10,600
Grants, Contracts, and Donations		38,517			3,981		5,026	47,524
Transfers-in		907,052	2,819,851	\$ 800,000				4,526,902
Capital Asset Sale Proceeds	5,122	73,329						78,452
Federal Indirect Cost Recoveries	84,946							84,946
Miscellaneous	(16,513)	529,799	100					513,386
Federal		19,475	10,528,936					10,548,410
Total Revenues & Transfers-In	181,926,827	68,130,269	13,379,801	800,000	664,975	1,476,098		266,377,970
Less: Nonbudgeted Revenues & Transfers-In	4,975	12,661,934	516	800,000	4,724	5,061		13,477,211
Prior Year Revenues & Transfers-In Adjustments	206,684	94,251	(26,817)		54		\$ 733,096	1,007,269
Actual Budgeted Revenues & Transfers-In	181,715,169	55,374,084	13,406,101	0	660,197	1,471,037	(733,096)	251,893,490
Estimated Revenues & Transfers-In	181,715,169	55,379,095	13,435,320		660,197	1,471,037	(733,096)	251,927,722
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0	\$ (5,012)	\$ (29,220)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (34,231)
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>								
Charges for Services		\$ 1,205						\$ 1,205
Licenses and Permits		(5,012)						(5,012)
Investment Earnings			\$ (39)					(39)
Federal		(1,205)	(29,180)					(30,385)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 0	\$ (5,012)	\$ (29,220)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (34,231)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

**DEPARTMENT OF JUSTICE**  
**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Agency Legal Services	Central Services Division	Division of Criminal Investigation	Forensic Services Division	Gambling Control Division	Information Technology System	Legal Services Division	Montana Highway Patrol	Motor Vehicle Division	Post Council	Total
Personal Services											
Salaries	\$ 1,087,644	\$ 983,893	\$ 6,191,429	\$ 3,032,470	\$ 2,336,872	\$ 2,136,628	\$ 5,465,902	\$ 18,672,171	\$ 5,499,947	\$ 188,064	\$ 45,595,021
Employee Benefits	319,768	336,649	2,403,713	942,956	924,030	710,178	1,723,499	10,481,116	2,531,369	63,362	20,436,639
Personal Services-Other	41,882				8,173						50,055
<b>Total</b>	<b>1,449,294</b>	<b>1,320,542</b>	<b>8,595,142</b>	<b>3,975,426</b>	<b>3,269,075</b>	<b>2,846,806</b>	<b>7,189,401</b>	<b>29,153,286</b>	<b>8,031,316</b>	<b>251,426</b>	<b>66,081,715</b>
Operating Expenses											
Other Services	108,791	71,389	2,234,731	539,417	132,372	136,718	10,382,592	2,306,845	6,375,661	81,644	22,370,159
Supplies & Materials	37,491	39,850	707,156	544,218	46,151	347,885	174,624	2,413,646	768,025	3,001	5,082,046
Communications	13,110	21,452	395,454	86,843	93,183	179,123	166,231	695,979	1,424,389	2,705	3,078,469
Travel	11,928	5,516	303,140	43,928	44,824	6,979	101,666	946,569	148,786	11,520	1,624,856
Rent	75,040	133,117	783,285	193,886	292,214	162,269	511,275	896,407	736,251	2,658	3,786,402
Utilities			103,683	136,353				32,129	5,026		277,191
Repair & Maintenance	1,334	4,123	469,269	179,330	16,559	444,716	9,798	894,482	60,511	200	2,080,322
Other Expenses	31,286	8,090	293,361	31,962	42,705	23,805	223,844	300,916	135,312	25,517	1,116,799
Goods Purchased For Resale		13	7,559								7,572
<b>Total</b>	<b>278,980</b>	<b>283,549</b>	<b>5,297,638</b>	<b>1,755,937</b>	<b>668,009</b>	<b>1,301,493</b>	<b>11,570,031</b>	<b>8,486,973</b>	<b>9,653,960</b>	<b>127,245</b>	<b>39,423,816</b>
Equipment & Intangible Assets											
Equipment			140,745	94,021	55,758	134,518	62,759	3,467,487	85,116		4,040,404
Capital leases - equipment				280,260							280,260
Intangible Assets			959,250			118,118					3,594,694
<b>Total</b>	<b>1,099,995</b>	<b>374,281</b>	<b>55,758</b>		<b>252,636</b>		<b>62,759</b>		<b>3,467,487</b>		<b>7,915,358</b>
Capital Outlay											
Buildings						29,384					29,384
<b>Total</b>						<b>29,384</b>					<b>29,384</b>
Local Assistance											
From State Sources			3,451,608			1,814,751					
<b>Total</b>	<b>3,451,608</b>					<b>1,814,751</b>					<b>5,275,015</b>
Grants											
From Federal Sources				112,200							112,200
From Other Sources							160,000				160,000
Grant To Non-Governmental Ent							5,180,000				5,205,000
<b>Total</b>				<b>112,200</b>			<b>5,340,000</b>				<b>5,477,200</b>
Benefits & Claims											
To Individuals							1,094,041				1,094,041
<b>Total</b>							<b>1,094,041</b>				<b>1,094,041</b>
Transfers-out											
Fund transfers			11,295				15,457,842				15,469,137
<b>Total</b>			<b>11,295</b>				<b>15,457,842</b>				<b>15,469,137</b>
Debt Service											
Loans				45,707							51,850
Capital Leases				15,984							15,984
<b>Total</b>				<b>61,691</b>							<b>67,834</b>
Post Employment Benefits											
Other Post Employment Benefits	4,407				3,798						8,206
Employer Pension Expense	56,141				47,400						103,541
<b>Total</b>	<b>60,548</b>				<b>51,198</b>						<b>111,747</b>
<b>Total Expenditures &amp; Transfers-Out</b>	<b>\$ 1,788,822</b>	<b>\$ 5,055,699</b>	<b>\$ 15,116,270</b>	<b>\$ 6,167,336</b>	<b>\$ 5,858,791</b>	<b>\$ 4,430,320</b>	<b>\$ 40,714,073</b>	<b>\$ 41,107,747</b>	<b>\$ 20,327,517</b>	<b>\$ 378,671</b>	<b>\$ 140,945,245</b>
EXPENDITURES & TRANSFERS-OUT BY FUND											
General Fund				4,492,773	\$ 6,755,857	\$ 4,948,881	23	\$ 4,042,258	\$ 6,251,575	\$ 1,709,764	\$ 7,010,660
State Special Revenue Fund				532,399	5,119,116	675,218	4,641,142	370,659	34,034,784	38,179,536	12,049,549
Federal Special Revenue Fund					3,241,297	543,238		2,635	427,714	1,218,447	95,890
Capital Projects Fund											5,529,221
Enterprise Fund				30,527			1,217,625	7,132			649,415
Internal Service Fund	\$ 1,788,822						7,636				522,003
Total Expenditures & Transfers-Out	<b>1,788,822</b>	<b>5,055,699</b>	<b>15,116,270</b>	<b>6,167,336</b>	<b>5,858,791</b>	<b>4,430,320</b>	<b>40,714,073</b>	<b>41,107,747</b>	<b>20,327,517</b>	<b>378,671</b>	<b>140,945,245</b>
Less: Nonbudgeted Expenditures & Transfers-Out	84,757	(714)	222,586	277,494	77,447	(1,872)	31,597,227	377,184		57,652	(97)
Prior Year Expenditures & Transfers-Out Adjustments		(837)	(18,630)	(1,635)	(449)	(9,605)	2,169	(53,401)	(5,792)	(4,091)	(92,271)
Actual Budgeted Expenditures & Transfers-Out	1,704,066		5,057,250	14,912,314	5,891,478	5,781,793	4,441,797	9,114,677	40,783,964	20,275,656	382,858
Budget Authority	1,783,149		6,414,097	20,122,172	7,323,709	6,291,840	4,521,813	11,163,416	42,370,226	28,266,928	383,177
Unspent Budget Authority	\$ 79,083	\$ 1,356,848	\$ 5,209,858	\$ 1,432,231	\$ 510,047	\$ 80,016	\$ 2,048,739	\$ 1,586,262	\$ 7,991,271	\$ 319	\$ 20,294,674
UNSPENT BUDGET AUTHORITY BY FUND											
General Fund				41,513	\$ 50,918	\$ 800,000	24	\$ 586	\$ 410,506	\$ 150,000	\$ 319
State Special Revenue Fund				1,211,903	706,965	133,817	409,758	79,992	1,270,162	548,642	3,422,767
Federal Special Revenue Fund				66,869	4,097,724	498,414			777,991	627,113	103,763
Capital Projects Fund					354,251						4,183,485
Enterprise Fund				36,563			100,289				131,257
Internal Service Fund	\$ 79,083		\$ 1,356,848	\$ 5,209,858	\$ 1,432,231	\$ 510,047	\$ 80,016	\$ 2,048,739	\$ 1,586,262	\$ 7,991,271	\$ 319
Unspent Budget Authority	<b>\$ 79,083</b>	<b>\$ 1,356,848</b>	<b>\$ 5,209,858</b>	<b>\$ 1,432,231</b>	<b>\$ 510,047</b>	<b>\$ 80,016</b>	<				

DEPARTMENT OF JUSTICE COMBINED SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT FOR THE FISCAL YEAR ENDED JUNE 30, 2017													
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Agency Legal Services	Central Services Division	Division of Criminal Investigations	Forensic Services Division	Gambling Control Division	Justice Information Technology Services Division	Justice System Support Service	Legal Services Division	Montana Highway Patrol	Motor Vehicle Division	Post Council	Total	
Personal Services													
Salaries	\$ 979,048	\$ 1,008,121	\$ 5,994,328	\$ 2,904,505	\$ 2,461,762	\$ 2,356,734	\$ 1,001,162	\$ 5,703,895	\$ 18,219,056	\$ 5,220,613	\$ 185,139	\$ 46,034,364	
Hourly Wages	226											226	
Other Compensation												1,800	
Employee Benefits	294,023	354,394	2,446,947	972,107	861,098	845,153	393,720	1,965,048	10,909,439	2,612,860	67,388	21,722,178	
Personal Services-Other	(20,964)			(9,248)								(30,212)	
Total	1,252,333	1,362,516	8,441,275	3,876,613	3,313,612	3,201,887	1,396,683	7,668,944	29,128,494	7,833,473	252,527	67,728,355	
Operating Expenses													
Other Services	79,052	120,509	1,577,344	412,547	114,371	170,505	824,159	21,316,124	2,370,597	8,295,099	99,455	35,379,763	
Supplies & Materials	21,430	52,357	801,383	498,044	70,308	303,873	164,135	171,398	3,574,425	775,647	50,295	6,483,294	
Communications	11,132	16,958	338,160	84,496	66,731	106,291	38,903	290,722	649,804	1,625,503	3,427	3,232,127	
Travel	15,975	7,798	343,144	44,689	48,670	23,851	157,897	155,528	860,034	148,338	13,916	1,819,840	
Rent	68,536	106,132	806,925	193,499	294,875	150,230	113,194	383,920	858,989	796,170	1,975	3,774,445	
Utilities			97,347	167,904					31,211		11,002	307,464	
Repair & Maintenance	5,096	5,141	447,979	258,621	11,604	662,457	37,012	20,120	813,152	65,363	1,085	2,327,632	
Other Expenses	28,409	28,782	264,798	33,308	48,891	101,505	28,485	181,691	277,906	129,514	9,268	1,132,559	
Goods Purchased For Resale			2,724									2,724	
Total	229,630	337,678	4,679,805	1,693,107	655,449	1,518,712	1,363,785	22,519,504	9,436,117	11,846,637	179,421	54,459,848	
Equipment & Intangible Assets													
Equipment			142,267	331,763	62,843	73,992		126,495	1,804,837	135,576	6,900	2,684,674	
Livestock									9,000			9,000	
Intangible Assets			989,945	331,763	62,843	73,992		126,495	1,741,744			2,731,689	
Total			1,132,212	331,763	62,843	73,992		126,495	1,813,837	1,877,320	6,900	5,425,362	
Capital Outlay													
Buildings										200,222		200,222	
Total										200,222		200,222	
Local Assistance													
From State Sources		3,266,306				1,828,258						5,094,563	
Total		3,266,306				1,828,258						5,094,563	
Grants													
From Federal Sources			80,000				1,055,385					1,135,385	
Grant To Non-Governmental Ent							5,420,666	196,000				5,616,666	
Total			80,000				6,476,051	196,000				6,752,051	
Benefits & Claims													
To Individuals								1,046,422				1,046,422	
Total								1,046,422				1,046,422	
Transfers-out													
Fund transfers		21,295					2,257,353	1,238,664		800,000		4,317,312	
Total		21,295					2,257,353	1,238,664		800,000		4,317,312	
Debt Service													
Loans			45,707							23,736		69,443	
Total			45,707							23,736		69,443	
Post Employment Benefits													
Other Post Employment Benefits	35,018											35,018	
Employer Pension Expense	27,668											150,184	
Total	62,686											185,202	
Total Expenditures & Transfers-Out	\$ 1,544,650	\$ 4,966,499	\$ 14,354,587	\$ 5,947,190	\$ 5,982,678	\$ 4,794,591	\$ 11,493,872	\$ 32,796,030	\$ 40,378,449	\$ 22,581,387	\$ 438,848	\$ 145,278,781	
EXPENDITURES & TRANSFERS-OUT BY FUND													
General Fund	\$ 3,867,271	\$ 7,769,667	\$ 5,386,994	\$ 4,813,259	\$ 4,542,897	\$ 2,299,349	\$ 7,177,877	\$ 1,686,173	\$ 9,691,249	\$ 1,438,848	\$ 42,860,327		
State Special Revenue Fund	1,067,664	4,494,136	386,570	2,075,009	234,188	177,883	24,838,461	37,558,595	11,752,578	85,323,334			
Federal Special Revenue Fund				173,626		2,651	9,016,640	779,692	1,133,681	26,476	13,207,775		
Capital Projects Fund			15,774							578,139	593,912		
Enterprise Fund		31,565			1,169,419	7,174				532,945	1,741,102		
Internal Service Fund	\$ 1,544,650				7,681						1,552,331		
Total Expenditures & Transfers-Out	1,544,650	4,966,499	14,354,587	5,947,190	5,982,678	4,794,591	11,493,872	32,796,030	40,378,449	22,581,387	438,848	145,278,781	
Less: Nonbudgeted Expenditures & Transfers-Out	(1,671)	(656)	(2,467)	(14,032)	(1,832)	49,827	22,415,632	241,744	870,497	23,766,604			
Prior Year Expenditures & Transfers-Out Adjustments		(26,496)	(1,738)	(614)	(12,220)	2,250	(4,494)	(6,678)	(17,604)	(67,596)			
Actual Budgeted Expenditures & Transfers-Out	1,546,320	4,993,651	14,446,764	5,949,657	5,997,324	4,808,644	11,441,795	10,384,892	40,143,384	21,728,494	438,848	121,579,773	
Budget Authority	1,615,903	6,631,285	19,758,770	6,578,901	9,365,200	4,810,392	20,895,010	11,924,511	41,768,320	30,155,086	441,029	153,944,407	
Unspent Budget Authority	\$ 69,583	\$ 1,637,633	\$ 5,612,006	\$ 629,243	\$ 3,367,876	\$ 1,748	\$ 9,453,216	\$ 1,539,620	\$ 1,624,936	\$ 8,426,592	\$ 2,181	\$ 32,364,634	
UNSPENT BUDGET AUTHORITY BY FUND													
General Fund	\$ 28,578	\$ 3,263	\$ 2	\$ 3,245,682	\$ 15	\$ 114,809	\$ 1,477	\$ 204,486	\$ 1,616	\$ 2,181	\$ 356,426		
State Special Revenue Fund	1,423,155	327,083			1,733	114,135	851,101	630,247	3,204,808		9,797,945		
Federal Special Revenue Fund	166,374	4,927,408	629,241	354,251		9,224,271	687,042	790,204		259,653	16,684,194		

**Department of Justice  
Notes to the Financial Schedules  
For the Two Fiscal Years Ended June 30, 2018**

**1. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Capital Projects). In applying the modified accrual basis, the Department records:

- ◆ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ◆ Expenditures for valid obligations when the Department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Department to record the cost of employees' annual and sick leave when used or paid.

The Department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Fiduciary (Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the Department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

**Basis of Presentation**

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. In order to reflect the total operations of the Department, the administratively attached Board of Crime Control is combined on the financial schedules with the Department of Justice for FY17.

On the FY17 Schedule of Total Expenditures and Transfers Out, the Board of Crime Controls' expenses are in the column titled Justice System Support Service. On the FY17 Schedule of Total Revenue and Transfers-In, the Board of Crime Control's total revenue and transfers-in for State Special Revenue is \$170,459, and \$9,016,640 for

Federal Special Revenue. On the FY17 Schedule of Changes in Fund Equity, the Board of Crime Control's direct entries to fund equity are \$2,324,594 for General Fund, \$248,392 for State Special Revenue, and \$7,449,441 for Federal Special Revenue.

In FY18, the Board of Crime Control was not administratively attached, so its activity was not presented in the Department's financial schedules.

The Department uses the following funds:

### **Governmental Fund Category**

- ◆ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.
- ◆ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include Highway Patrol operations, collections of gambling license revenues, Montana Law Enforcement Academy operations, Natural Resources Damage Litigation Program, Consumer Protection, Criminal Justice Information Network, Crime Victims Compensation, Criminal Records Information Systems, Forensic Sciences Division, and the Motor Vehicle Information Technology System.
- ◆ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include:

<b>Agreement Type</b>	<b>Program Name</b>
Federal Award	24/7 Sobriety Program Coordinator
Federal Award	Child Passenger Safety Trailer
Federal Award	Commercial Driver's License Help Desk Improvement
Federal Award	Crime Victim Benefits Compensation
Federal Award	DNA Backlog Reduction Program
Federal Award	Domestic Violence Fatality Review Commission
Federal Award	Eastern Montana Drug Task Force
Federal Award	FELIX Upgrade
Federal Award	Forensic Laboratory Information Management System
Federal Award	High Intensity Drug Trafficking Areas
Federal Award	Intervention, Networks, Training, Enforcement, Response, and Collaborative Efforts Develop Effectiveness (INTERCEDE)
Federal Award	Montana Analysis and Technical Information Center
Federal Award	Montana Law Enforcement Domestic Violence Project
Federal Award	Montana Sexual Assault Forensic Evidence - Inventory, Tracking and Reporting Program
Federal Award	National Criminal History Improvement Program
Federal Award	Office of the Child and Family Ombudsman
Federal Award	Paul Coverdell Forensic Sciences Improvement
Federal Award	Prison Rape Elimination Act
Federal Award	Selective Traffic Enforcement Programs
Federal Award	Sex Offender Registration and Notification Act Reallocation Funds
Federal Award	Sexual Assault Kit Initiative
Federal Award	Southwest Montana Drug Task Force
Federal Award	Special Traffic Safety Enforcement Team
Federal Award	State Medicaid Fraud Control Units
Federal Award	Traffic Safety Resource Officer
Federal Award	Web Based Crash Trainer
Federal Contract	Alcohol, Tobacco, Firearms and Explosives Task Force Overtime
Federal Contract	Big Sky Safe Streets Task Force Overtime
Federal Contract	DEA Drug Diversion Task Force Overtime
Federal Contract	DEA Task Force Overtime
Federal Contract	Federal Forfeitures
Federal Contract	Flathead County High Intensity Drug Trafficking Areas Overtime
Federal Contract	Homeland Security Overtime
Federal Contract	Marijuana Eradication Program Overtime
Federal Contract	Montana Regional Violent Crime Task Force Overtime
Federal Contract	US Marshall Overtime
State MOU	DPHHS MOU - Child Protection Prosecution
State MOU	DPHHS MOU - Criminal Forensic Interview Training

- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The Department uses this fund to account for the costs related to developing the information technology system related to the production and maintenance of MERLIN.

### **Proprietary Fund Category**

- ♦ **Internal Service Fund** – to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. Department Internal Service Fund includes Agency Legal Services, which provides legal services to other state agencies.
- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the Department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Department Enterprise Funds include MVD state information portal, MVD electronic commerce, and the Liquor License, which is used to fund part of the Gambling Divisions operations and administered by the Department of Revenue.

### **Fiduciary Fund Category**

- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal (to the State) clearing account activity but these must have a zero balance at fiscal year-end. Increases between FY17 and FY18 in the Agency Fund for property held in trust are due to an increase in activity for county and sponsored organization license plate fee collections.

## **2. General Fund Equity Balance**

The Department has authority to pay obligations from the statewide General Fund within its appropriation limits. The Department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund equity balances for each of the fiscal years ended June 30, 2017, and June 30, 2018. These balances reflect the results of the activity of the Department and not the fund equity balance of the statewide General Fund.

## **3. Direct Entries to Fund Equity**

Direct entries to fund equity in the General, Special Revenue, and Enterprise funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

#### **4. Revenue Estimates**

IBARS (the budgeting system) does not allow a House Bill 2 budget to be submitted without revenue estimates equal to or greater than expenditures. The Department completes revenue projections and cash analysis to adjust spending if necessary. Since some revenue estimates are necessary to enable revenue to post in SABHRS at a specific time and full estimates are not available, adjustments are necessary at fiscal year-end to net with collected revenue. The Department adjusts estimates at fiscal year-end, on all funds, to accurately forecast revenue into the next fiscal year.

#### **5. Transfers**

Per HB650, the Department transferred \$2,970,000 from the Office of Consumer Protection's State Special Revenue Fund, to the State General Fund, and \$6,630,000 to Long Range Building for the Montana Law Enforcement Academy's development project.

Per HB6, the Department transferred \$1,000,000 from the Office of Consumer Protection's State Special Revenue Fund, to the State General Fund.

#### **6. Settlements**

The Department received a settlement, on November 28, 2016, as a result of the State of Montana, ex rel. Tim Fox, Attorney General vs. Merck & Co., Inc. case, in the amount of \$9,949,914.66. The settlement resulted from litigation against Merck & Co., Inc. over its alleged unfair and deceptive promotion of the pain reliever Vioxx in Montana between 1999 and 2004. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department received a settlement, on May 2, 2017, as a result of the State of Montana, ex rel. Tim Fox, Attorney General vs. Volkswagen AG, Audi AG, Volkswagen Group of America Inc., Audi of America LLC, Volkswagen Group of American Chattanooga Operations LLC, Dr. Ing. hc F Porsche AG and Porsche Cars North American Inc. case in the amount of \$2,500,000. The settlement resulted from an investigation into Volkswagen and Porsche for violating the Montana Unfair Trade Practices and Consumer Protection Act in connection with their marketing, advertising, distribution, sale and lease of certain 2.0- and 3.0-liter diesel passenger vehicles. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department received a settlement, on November 17, 2017, as a result of the State of Montana, ex rel. Tim Fox, Attorney General vs. General Motors Company (GM),

in the amount of \$1,137,841.97. The settlement resulted from litigation against GM for violating the Montana Unfair Trade Practices and Consumer Protection Act for failing to timely disclose to regulators and initiate appropriate consumer recalls regarding significant safety risks associated with ignition switches in GM vehicles. GM made misrepresentations and deceptively advertised the safety, reliability, or resale value of GM vehicles by omitting information about the defective ignition switches. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department received a settlement from ExxonMobil Pipeline Company on February 22, 2017, as a result of the July 1, 2011 oil spill on the Yellowstone River, in the amount of \$9,499,263.61. Under the Oil Pollution Act, the State of Montana and the US Department of Interior made claims to injuries to the natural resources and public use services of the Yellowstone River and its floodplain from the release of approximately 63,000 gallons of crude oil affecting approximately 85 miles of river. The amount was deposited into a state special revenue fund for the Natural Resource Damage Program to restore, rehabilitate, replace, or acquire the equivalent of the natural resources injured by the release of this oil.

## **7. Subsequent Events**

The Department received a settlement on February 21, 2019, as a result of the State of Montana, ex rel. Tim Fox, Attorney General vs. Johnson & Johnson, et al case in the amount of \$1,358,575.13. The settlement was the result of an investigation into unfair and deceptive marketing by Johnson & Johnson, which minimized and failed to disclose risks associated with its metal-on-metal hip implants. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department received a settlement on March 15, 2019, as a result of a Confidential Multistate Settlement Judgment with Wells Fargo, in the amount of \$2,779,651.69. The settlement resolved an investigation into unfair and deceptive practices related to several areas of Wells Fargo business, including sales practices related to consumer and small business accounts, sales practices related to renters and term-life insurance products, collateral protection insurance policies, GAP products, and mortgage interest rate-lock extension fees.

# **Report on Internal Control and Compliance**



## LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:  
Cindy Jorgenson  
Joe Murray

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Justice for each of the fiscal years ended June 30, 2018, and 2017, and the related notes to the financial schedules, and have issued our report thereon dated March 29, 2019.

#### *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial schedules, we considered the department's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the department's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

March 29, 2019



DEPARTMENT OF JUSTICE

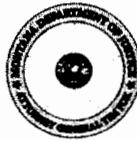


DEPARTMENT RESPONSE



**Tim Fox**  
Attorney General

**ATTORNEY GENERAL  
STATE OF MONTANA**



**Department of Justice  
Joseph P. Mazurek Justice Bldg.  
215 North Sanders  
PO Box 201401  
Helena Montana 59620-1401**

May 10, 2019

**RECEIVED**

MAY 17 2019

**LEGISLATIVE AUDIT DIV.**

Angus Maciver, Legislative Auditor  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

Dear Mr. Maciver:

The Department of Justice thanks you and your audit team for the professionalism displayed while conducting this financial compliance audit. The audit provides valuable and timely information for us to evaluate our programs and accounting processes.

Please accept the following as my response to the audit recommendation and disclosure presented in the report for the two fiscal years ended June 30, 2018.

**Recommendation #1**

**We recommend the Department of Justice reduce the charge for services until the cash balance in the cigarette fire safety account complies with the limitation in state law.**

Partially concur. The Department agrees there is an excess cash balance in the cigarette fire safety account. It is the Department's position that decreasing the certification fee will negatively impact cash balances and limit future programmatic needs.

Since the revenue is cyclical, the Department has taken a conservative approach in maintaining cash in the cigarette fire safety fund. Based on current cash balances, the Department will identify applicable costs to be supported by the Cigarette Fire Safety Fund. In consideration of these costs, special attention will be given to fund requirements necessary to maintain a sustainable cash balance in the subsequent two biennia.

TELEPHONE: (406) 444-2026      FAX: (406)444-3549      E-MAIL: [contactdoj@mt.gov](mailto:contactdoj@mt.gov)      WEB: [mtdoj.gov](http://mtdoj.gov)

**MONTANA DEPARTMENT OF JUSTICE**

Legal Services Division \* Division of Criminal Investigation\* Highway Patrol Division \* Forensic Science Division  
Gambling Control Division \* Motor Vehicle Division \* Information Technology Services Division \* Central Services Division

Disclosure regarding Consumer Protection Fund

30-14-143 MCA requires "all civil fines, costs and fees" recovered or received by the Department in cases involving violations of the Consumer Protection Act to be placed into the state special revenue account to defray the Department's expenses in discharging its statutory obligations. It also provides that the excess of civil fines, costs and fees must be transferred to the general fund. 30-14-226 MCA contains very similar language governing civil fines, costs, fees and excess in connection with violations of Montana's antitrust statutes. On occasion funds in the state special revenue account have been restricted by the terms of settlements or court judgments or at the discretion of the Attorney General. Although at the present time no funds in the state special revenue account are restricted, it is anticipated that on occasion funds will have to be restricted as required by settlements, court judgments or by the Attorney General to address or ameliorate the harms which caused the State to seek legal recourse. When funds are restricted, the Attorney General is required to use such funds for specific, intended purposes.

Most of the funds received into the State's special revenue account, however, are monetary settlement payments rather than fines, costs or fees. 30-14-143 and 30-14-226 MCA do not address such settlement payments or settlement proceeds. Although settlement payments are not covered by current law, since 2012 the Attorney General's Office has directed millions of dollars of unrestricted settlement payments to the Legislature and to the general fund.

Attorneys General have also established a four-year operating reserve. This four-year operating reserve ensures the Office of Consumer Protection can educate and protect Montanans from unfair and deceptive practices and violations of antitrust laws without using taxpayer funding: The Office is completely self-funded through enforcement efforts and has never required taxpayer or general fund support. Similar to funds restricted by settlements, court judgments and on occasion by the decision of the Attorney General, the four-year operating reserve is restricted for operations of the Office.

Funds restricted for specific uses or purposes by settlements, court judgments or by the Attorney General are restricted independently of the operating reserve. In other words, to ensure future self-funded operations, such restrictions are in addition to, rather than included within the four-year operating reserve.

Sincerely,



Tim Fox

TELEPHONE: (406) 444-2026

FAX: (406)444-3549

E-MAIL: [contactdoj@mt.gov](mailto:contactdoj@mt.gov)

WEB: [mtdoj.gov](http://mtdoj.gov)

**MONTANA DEPARTMENT OF JUSTICE**

Legal Services Division \* Division of Criminal Investigation\* Highway Patrol Division \* Forensic Science Division  
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